

Johnson believed that the Court would hold McCall Ferry Power Company was formed on April 14th.

There was some difference of opinion on whether the change in the law applied only to water and lands covered by water, thereby still permitting them the rights of eminent domain so far as property for buildings, dams and water works were concerned.

Classes of Bond Subscriptions

The immediate requirements of the McCall Company apparently had been determined by the end of April so that under the date of May 3, 1905, notices were sent to Bond Subscribers informing them of their respective allotments. There were different forms for the deferred and non-deferred subscribers.

Those subscribers who elected to defer payment were, like the non-deferred subscribers, required to make a first payment of twenty per cent based on the net amount of the price of the bonds at ninety. All of the first 20 per cent payments were evidently made promptly, for on May 15th Harvey Fisk & Sons recorded the amount of \$1,440,000. to the credit of the proposed Susquehanna Contracting Company. Calls were subsequently made periodically upon the non-deferred subscribers in amounts of ten per cent each. Interest at the rate of five per cent per annum was to be credited upon the amounts paid until the delivery of the bonds and stocks, after final payment had been made. The deferred subscribers were granted until November 1, 1908, to make their final payment of eighty per cent.

Harvey Fisk & Sons' Loan Arrangement with Knickerbocker Trust Company

In accordance with the provisions of the Bond and Stock Purchase Agreement, Harvey Fisk & Sons, on May 15th, made arrangements for loans

from the Knickerbocker Trust Company totaling \$4,424,400., the amount of the unpaid deferred subscriptions. The Trust Company was to make installment advances as called for from time to time beginning June 1, 1905. The terms of this arrangement, as contracted for between Harvey Fisk & Sons and Knickerbocker Trust Company, were as follows:

1. Loans to bear six (6) per cent interest per annum.
2. \$6,145,000. of bonds and purchase agreements were to be pledged as collateral for \$4,424,400. loan.

The basis of this ratio is better explained in the following schedule:

Total Deferred Subscriptions to Bonds	\$ 6,145,000.
Less 10% Discount	614,500.
Net Amount at 90 due from Subscribers	\$ 5,530,500.
Less 20% First Payment upon Call	1,106,100.
Balance due from Subscribers, the Amount of Loan by Knickerbocker Trust Company	\$ 4,424,400.

3. Loans were to mature at the end of the year in which made, but could be extended for one or two annual renewals to the end of the third year.
4. In addition to interest, the Trust Company was to receive a commission of one-half of one per cent on the full amount agreed to be loaned, viz: \$4,424,400. for each year the agreement was in force.
5. Loans to be made to the Susquehanna Contracting Company, then in the formative stage, and through which securities of the McCall Company were to be issued.

(See Exhibit No. 16)

Incorporation of Susquehanna Contracting Company

The necessary ground work for the execution of the major agreements of the McCall Company was completed by the middle of June 1905. Susquehanna Contracting Company was incorporated June 12th. It was a New York Company formed for the following purposes:

1. To acquire or construct hydroelectric developments along the Susquehanna River.
2. To do a general contracting business.

3. To purchase, lease, etc., rights and interests in respect to real estate and water.
4. To acquire and sell machinery, supplies, merchandise, etc.
5. To acquire, use and dispose of rights in respect to construction, manufacture, etc.
6. To acquire, pledge and sell securities of any corporation and to issue in exchange therefor its own securities.

The capital stock consisted of five shares with a par value of \$100. each.

Incorporators, Directors and Stockholders

A. P. Bartlett	3 shares
James E. Hopkins	1 share
Ross A. Mackey	1 share

Officers

A. P. Bartlett	President
Ross A. Mackey	Secretary-Treasurer

Harvey Fisk & Sons Assign Loan Arrangement to Contracting Company

On June 14th, Harvey Fisk & Sons executed an agreement with the Contracting Company which, in effect, assigned their loan arrangement of May 15th with the Knickerbocker Trust Company. In addition to the assignment, the agreement contained the following provisions:

1. Harvey Fisk & Sons assigned to Contracting Company the bond and stock purchase agreements and all their rights thereunder, except the right of Harvey Fisk & Sons to repurchase the bonds at ninety.
2. Contracting Company agreed to discharge all obligations of Harvey Fisk & Sons under the bond and stock purchase agreements and appointed Harvey Fisk & Sons its agent for the performance of all obligations assumed by it. It agreed to deliver to Harvey Fisk & Sons all bonds and stock necessary for delivery to Subscribers under the purchase agreements, authorized Harvey Fisk & Sons to call for and receive further installments of Purchase price and to deliver bonds and stock to Subscribers entitled thereto.
3. The powers vested by this instrument in Harvey Fisk & Sons were stated as being irrevocable because of being coupled with

the interest of Harvey Fisk & Sons in the following:

- A. The option to repurchase the bonds.
- B. The contract for the sale of the bonds.
- C. The loan arrangement.

4. It was understood that the bond and stock purchase agreements of Subscribers who had elected to defer payment of installments, after the initial payment would be assigned by Harvey Fisk & Sons to Knickerbocker Trust Company as security for the loans to be obtained under the loan arrangement.

(See Exhibit No. 16)

Loan Agreement between Contracting Company
and Knickerbocker Trust Company

The loan arrangement was consummated by an agreement executed on November 1, 1905, between Susquehanna Contracting Company and Knickerbocker Trust Company. The maximum loanable amount was increased, approximately \$60,000., over the amount stated in the Harvey Fisk & Sons' loan arrangement. This agreement contained the following provisions:

1. For the immediate payment by the Contracting Company to the Trust Company of \$22,410., being the first annual payment of one-half of one per cent commission on the maximum amount of the loan. A like payment was required for each year the loan continued.
2. The Contracting Company could borrow on five days' written notice up to \$4,482,000. at any time until November 1, 1908.
3. Interest was to be 6% per annum.
4. The Contracting Company was to give its note for each loan, and deposit with the Trust Company a bond and stock purchase agreement (on which 20% of the purchase price had been paid) whose unpaid 80% would be the amount of the loan. In addition, the McCall Company bonds and stock covered by the purchase agreement were to be deposited with the Trust Company.

(See Exhibit No. 17)

Agreement with Susquehanna Contracting Company
for Financing McCall Ferry Power Company

On June 13th, the day following the incorporation of the Contracting Company, an agreement was executed, providing for the transfer of certain properties and a sum of money by the Contracting Company in exchange for sub-

5. To pay to McCall Company \$6,400,000.

McCall Ferry Power Company agreed:

1. To issue to Contracting Company \$8,483,000. principal amount of first mortgage thirty year 5% gold bonds of a total authorized issue of \$10,000,000.
2. To issue to Contracting Company \$2,116,500. in preferred stock and \$4,999,000. in common stock.

(See Exhibit No. 18)

The bonds and stocks were to be transferred to Contracting Company at the time McCall Company received the deeds, transfers and other instruments vesting in it the property, rights, etc., obtained for it by the Contracting Company. The \$6,400,000. was to be paid in cash installments to McCall Company over a period of three years as and when called for. It was understood that the Contracting Company might obtain part of the necessary money by pledging the bonds and stock. Interest coupons were to be paid as they matured, but the Contracting Company was to refund to McCall Company the excess of bond interest received over interest and commissions paid by the Contracting Company in obtaining loans. This arrangement was to cover the period from the date of the bonds until full payment of \$6,400,000. had been made by the Contracting Company to McCall Company.

Increase of McCall Company Indebtedness
and Capital Stock

On the same day but prior to the execution of the preceding agreement, a Directors' Meeting of McCall Company had been held at which this contract was presented for approval. The officers were authorized to execute the agreement, pending the authorization by the Stockholders of an increase in the Company's indebtedness and capital stock to cover the contract requirements. The Stockholders, at a meeting held later in the day, gave their approval to the following increases in bonds and stocks:

<u>Security</u>	<u>From</u>	<u>To</u>
First Mortgage Five Per Cent Gold Bonds due June 15, 1935	None	\$10,000,000.
Preferred Stock - \$100. par value (5% Cumulative after June 15, 1909)	None	\$ 5,000,000.
Common Stock - \$100. par value	\$1,000.	\$ 5,000,000.

The Directors passed another resolution stating that the Contracting Company should be entitled to any profits that might result from this agreement. They also confirmed the contract at a later meeting held on the same day following the Stockholders' Meeting in which the increases in bonds and stocks were approved. The Stockholders also adopted By-Laws at their meeting held on this date.

Acquisition of Hutchinson Interests
by Susquehanna Contracting Company

On the next day, June 14th, the Contracting Company made an arrangement for the purchase of all the property, rights and interests of Cary T. Hutchinson. A summary of this agreement follows:

- Hutchinson was to cause to be conveyed to McCall Company all lands, water power rights and other interests in lands along the Susquehanna River between Columbia, Pennsylvania, and Havre de Grace, Maryland, belonging to any of the following:

Cary T. Hutchinson
William F. Beyer
George B. Willson
York Furnace Power Company (partnership)

- Contracting Company was to deliver to Hutchinson:

Preferred Stock (Par Value)	\$ 400,000.
Common Stock (Par Value)	4,384,000.
Cash	<u>750,000.</u>

Total	<u>\$ 6,034,000.</u>
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(See Exhibit No. 19)

The foregoing agreement with Hutchinson shows a very substantial consideration passing to him. From Hutchinson's affidavit and other

records, it can be shown that he was only the temporary recipient and not the beneficiary of much of this consideration. It will be shown later that the \$400,000. of preferred stock went to the bankers, either for themselves or for use in adjusting the bonus stock of those subscriptions which had been obtained under the March 1st agreement calling for 50% bonus, instead of 25%. Regarding the common stock, Hutchinson's affidavit states that he and his associates received for their use 18,840 shares and that Harvey Fisk & Sons received 30,000 shares for the banking interests.

On June 20th, Hutchinson executed an agreement with the Contracting Company which provided for the perfecting of titles of the properties conveyed. (See Exhibit No. 19) These properties and rights passed to McCall Company under the agreement between that company and the Contracting Company, dated June 13, 1905.

Acquisition of Harlow-McGaw Interests
by McCall Company

Harvey Fisk & Sons had acquired the Harlow-McGaw properties and rights on April 27th, and on June 14th transferred them to the Susquehanna Contracting Company which assumed the obligation of payment to Harlow-McGaw. (See Exhibit No. 15) A confirmatory agreement between the Contracting Company and Harlow-McGaw was signed June 15th. (See Exhibit No. 15) These properties and rights passed to McCall Company under the agreement between that company and the Contracting Company dated June 13, 1905. The Pullen option was transferred by Bertron, Storrs & Griscom to the Contracting Company on June 16th. (See Exhibit No. 12) As this option expired July 1, 1905, it was not assigned to McCall Company.

Mortgage with Knickerbocker Trust
Company as Trustee

The McCall Company, having promised to deliver bonds to the

Jusquehanna Contracting Company under the terms of the June 13th agreement, created a mortgage dated June 15, 1905, with the Knickerbocker Trust Company as Trustee, on all of its property then held or to be acquired. It provided for an issue of \$10,000,000. of First Mortgage Five Per Cent Gold Bonds with a provision for an immediate issue of \$8,483,000. upon the property to be acquired from the Contracting Company by the terms of the June 13th agreement. The remaining \$1,517,000. of bonds could be issued if the proceeds were to be used for acquiring additional property or making new construction, improvements or additions to the mortgaged property. The mortgage was to run until June 15, 1935, when the bonds were to be redeemed.

Permanent Directors and Officers Elected

The Directors, after approving an increase in the number of members on the Board from five to fifteen on July 31, 1905, proceeded at a meeting held August 8th to fill all existing vacancies with the resulting Board composed of the following members:

Wm. M. Barnum	H. F. Dimock
A. C. Bedford	Pliny Fisk
S. R. Bertron	Rodman E. Griscom
E. J. Berwin	J. J. Hope
Wm. F. Bayer	Cary T. Hutchinson
W. Marriott Canby	Gardiner M. Lane
C. A. Coffin	Wm. Barclay Parsons
Geo. B. Willson	

On the same date, this new Board held a meeting at which the following were elected to the Executive Committee:

H. F. Dimock	Gardiner M. Lane
C. A. Coffin	Wm. M. Barnum
Wm. Barclay Parsons	

The following Officers were elected about this time:

President	- Henry F. Dimock
Vice-President	- J. A. Keppelman
Secretary and Treasurer	- Wm. H. Barnum
Chief Engineer	- Cary T. Hutchinson

Voting Trust

A voting trust was created under the following provisions of a Stock Deposit Agreement, dated January 20, 1906:

1. Harvey Fisk & Sons were to be depositaries of the McCall Company stock.
2. To be effective until November 1, 1908, unless commercial operation began sooner.
3. Might be terminated by depositors of two-thirds of stock.
4. Harvey Fisk & Sons were to vote stock as directed by Voting Committee.
5. Voting Committee was to consist of:

Henry F. Dimock
William M. Barnum
S. Reading Bertron

6. Vote of two required for acts to be effective.
7. In case of death of any member, the remaining two were to choose his successor.
8. Harvey Fisk & Sons and Voting Committee were to act without compensation.
9. Both Harvey Fisk & Sons and members of the Voting Committee might also be depositors.

(See Exhibit No. 20)

IX - VALUE OF McCALL COMPANY SECURITIES

Securities Issued for Property or Services

The increase in authorized securities by McCall Company placed it in a position to carry out the agreement of June 13, 1905, with the Contracting Company whereby McCall Company was to acquire substantially all the property and cash necessary to proceed with its hydroelectric development. Hereinbefore have been recorded the major purchases of property, services, etc., by the Susquehanna Contracting Company for the McCall Ferry Power Company. The McCall Company, a predecessor of Pennsylvania Water & Power Company, was the first company to devote these properties to public service and therefore it is necessary to determine cost of all acquisitions by McCall Company. Inasmuch as payments were made in several instances in cash and securities, it has been necessary to ascertain the cash value of the securities issued for this purpose in order to comply with the provision of Instruction 3-D of Electric Plant Accounts of the Federal Power Commission, which states:

"When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis."

The McCall Ferry Power Company went into receivership before any of its securities reached the open market and therefore it has been impossible to determine their values by means of market quotations. The only information pertinent to these values which has been located among old records is summarized herewith.

Value of McCall Bonds

1. The McCall Company's bonds were sold to the underwriters at 90 with a bonus of 45 or 50% in preferred stock. Harvey Fisk & Sons had the right to repurchase the bonds at 90 unaccompanied by any bonus stock. Pliny Fisk has stated that

his firm considered this option an obligation to relieve the underwriters from making long time investment. (See Exhibits Nos. 8, 9, 10 and 16)

2. James H. Harlow, in sworn testimony in connection with condemnation proceedings of the Susquehanna Power Company in 1906-07, stated that while he did not think he could get 90 for the bonds alone, he would not be willing to sell them for less than par. He had received no preferred stock with his bonds and when testifying was a witness for those whose interest lay in placing a low value on McCall securities. (See Exhibit No. 21)

3. Bertron, Storrs & Griscom recorded these bonds at 90 in November, 1908, which was the only record of value carried on their books. (See Exhibit No. 22)

Since most of the above sources of information are in agreement as to the \$900. value of a \$1000. par bond this amount has been determined to be the cash value in cases where bonds were issued as part consideration in the acquisition of property.

Value of McCall Preferred Stock

1. Bertron, Storrs & Griscom's records show the following book values for 1,875 shares of preferred stock:

- (a) November 21, 1906 - at \$10. per share
- (b) December 31, 1906 - from \$10. to \$40.
- (c) April 1, 1907 - held at \$50.
- (d) December 31, 1907 - held at \$25.
- (e) December 28, 1908 - held at no value

(See Exhibit No. 22)

Confirming a previously expressed verbal opinion, J. O. Adams,

Secretary-Treasurer of Bertron, Griscom & Company stated on January 8, 1940:

"Due to the fact that I was not in the employ of Bertron, Storrs & Griscom at the time of the McCall Ferry Power Company transaction, it is impossible for me to state which, if any, of the recorded amounts represented the appraisal by the firm as the actual value of the stocks when received. It would appear to me that the partners placed various arbitrary amounts in the McCall Ferry Power Company stock accounts, as well as in other stock accounts, probably in accordance with understandings or agreements between them."

(See Exhibit No. 23)

Rodman E. Griscom, who has been head of the firm since Bertron's death, was asked to make a statement which would clarify these entries but replied,

"So many years have elapsed that I have no recollection that would justify me in making and swearing to any statement such as you ask."

(See Exhibit No. 23)

From the records it is apparent that Griscom was in the Philadelphia branch during the McCall Ferry period and that Bertron handled most of the firm's matters in connection with the project.

Because of the variance and unreliability of the foregoing figures, Pliny Fisk, who was senior partner of Harvey Fisk & Sons in 1905, was consulted in the matter. He expressed the opinion that the preferred stock had a value of approximately \$50. per share in 1905, when his firm received 1,875 shares for services. (See Exhibit No. 9) As the Fisk firm presents the only case where preferred stock was used as payment for services or property, this value has been used in computing original cost.

Value of McCall Common Stock

1. Bertron, Storrs & Griscom's records show the following book values for the common stock:
 - (a) November 21, 1906 - 12,462½ at \$1. per share
 - (b) December 11, 1906 - 5,000 shares charged out to Lee, Higginson & Company at \$1. per share and increase of remaining 7,462½ shares from \$1. to \$2. per share
 - (c) December 31, 1906 - 7,462½ shares from \$2. to \$10.
 - (d) August 9, 1907 - Purchase of 150 shares from Pullen at \$5. per share
 - (e) December 31, 1907 - Increase 150 shares to \$10. per share.
 - (f) December 28, 1908 - No value

(See Exhibit No. 22).

2. James H. Harlow, in his 1906-07 testimony, placed a value of \$10. per share on the common stock. (See Exhibit No. 21)

3. The prospectus attached to the March 1st underwriting agreement showed estimated earnings based on Parsons' report of January 13, 1905, equal to 7% on the proposed issue of \$4,000,000. par of common stock. (See Exhibit No. 5)

The comments of Griscom and Adams regarding the values shown by Bertron, Storrs & Griscom records have been given under the heading of "Value of McCall Preferred Stock." Harlow's testimony was given as a witness for those whose interest lay in placing a low value on McCall securities. An estimated return of 7% ^{the par value of} on common stock does not fix any specific value on that stock. Because of the variance and unreliability of the foregoing figures, statements as to stock values have, therefore, been obtained from persons closely associated with the development of McCall Company, who accepted this stock as compensation for property or services. Before presenting the results of these statements, it seems desirable to give a resume of the distribution of McCall stocks so that a clearer understanding may be had as to the things of value received for them.

Distribution of McCall Preferred Stock

Under the terms of the agreement between McCall Company and the Contracting Company dated June 13, 1905, McCall Company issued 41,165 shares of preferred stock to the Contracting Company. Of this amount, 4,000 shares were assigned to Hutchinson under his agreement with the Contracting Company dated June 14, 1905. Of the remaining amount, 36,337½ shares were given as the 45% bonus with the bonds and 100 shares were assigned to H. C. Frick for an unknown reason. The balance, 727½ shares, was held by the Susquehanna Contracting Company.

It has been previously mentioned that arrangements had been made to retain the subscribers to the March 1st underwriting by giving

them 5% additional preferred stock bonus, making their bonus 50% as called for under that plan of underwriting. Of the 4,000 shares of preferred stock mentioned in the Hutchinson-Contracting Company agreement, 2,125 were used to provide this additional bonus and the remaining 1,875 shares went to Harvey Fisk & Sons as part of their compensation for banker and management services.

Distribution of McCall Common Stock

At the time of merger of The Hillside and Susquehanna Water and Power Companies to form McCall Ferry Power Company 10 shares of McCall stock were issued in exchange for the stock of the merging companies. Subsequently 4 of these were held by Hutchinson and 6 by Harvey Fisk & Sons under the arrangements whereby the Fisk firm purchased control from Hutchinson. Under the terms of the McCall Company-Contracting Company agreement of June 13th, 49,990 shares of McCall common stock were issued to the Contracting Company. This accounts for the original issuance of the total 50,000 shares.

The Contracting Company used 1,000 shares in carrying out its agreement with Harlow-McGaw and 150 shares for its agreement with Pullen. The balance, 48,840 shares, was required in connection with the agreement with Hutchinson. Of this amount 30,000 shares actually went to the bankers, leaving Hutchinson 18,840 for himself and for settlement of his obligations.

The 30,000 shares going to the bankers were divided as follows:

Harvey Fisk & Sons	17,537½ shares
Bertron, Storrs & Griscom	7,462½ shares
Lee, Higginson & Company	<u>5,000</u> shares
Total	<u>30,000</u> shares

The complete distribution of Hutchinson's 48,840 shares is not known, due to the fact that it was made in the form of Voting Trust certificates and no record of the issuance of these certificates could be found.

Summary of Distribution of McCall Stock

<u>Name</u>	<u>Shares of Preferred Stock</u>	<u>Shares of Common Stock</u>
Original Incorporators (10 sh. common)		
(a) Hutchinson		4
(b) Harvey Fisk & Sons		6
Harlow-McGaw		1,000
Pullen		150
Hutchinson Contract		
(4,000 sh. preferred)		
(48,840 sh. common)		
(a) Hutchinson et al		18,840
(b) Harvey Fisk & Sons	1,875	17,537½
(c) Bertron, Storrs & Griscom		7,462½
(d) Lee, Higginson & Company		5,000
(e) Bond Subscribers (5% bonus)	2,125	
Deferred Bond Subscribers	27,810	
Non-deferred Bond Subscribers	8,527½	
H. C. Frack (additional)	100	
Held by Contracting Company	727½	
Unissued	8,835	
Total	50,000	50,000

Value of Services Rendered for Stock

As previously mentioned, in order to determine the proper value to assign to the McCall common stock, statements of recipients have been obtained.

1. Hutchinson has stated that at the time the common stock was issued he and others, who were fully informed concerning the enterprise, were of the opinion that the stock was worth from \$20. to \$30. per share. (See Exhibit No. 1)
2. Fisk has stated that his firm's banking services had a value of not less than \$250,000. and the management services at least an additional \$150,000. For these services his firm received 1,875 shares of preferred and 17,537½ of common stock.

His value for the common stock was arrived at by the following process:

Banking Services	\$250,000.
Management Services	<u>150,000.</u>
Minimum Total	\$400,000.
Less 1,875 preferred shares at \$50.	<u>93,750.</u>
Minimum Value of 17,537½ shares of common	<u>\$306,250.</u>

Or approximately \$18. per share.

(See Exhibit No. 9)

3. George C. Lee has stated that an examination of his firm's records showed that 3,000 shares was the total compensation received for Lee, Higginson & Company's participation in the underwriting. He has also stated that he had carefully reviewed the results of his firm's underwritings between 1900 and 1908 and found that on participations comparable to the McCall Ferry proposition, his firm customarily earned 5 points or more in cash on the par value of bonds handled.

Furthermore, his firm would not have participated in the McCall Ferry proposition unless they believed their stock compensation had a total value of at least \$125,000. at the time they agreed to accept the stock in lieu of a cash commission. This would make the stock worth \$25. per share. It was his opinion that a division of the firm's assets, as in the case of a change in members, immediately following the acceptance of this stock as compensation, would have been based on a value of not less than \$25. per share for this stock.

(See Exhibits Nos. 8 and 11)

4. Coudert Brothers received from Hutchinson \$20,000. in cash and 1,000 shares of common stock for legal services which James E. Hopkins, a member of that firm, has valued at not less than \$50,000. This is equivalent to placing a value of at least \$30. per share on the common stock. (See Exhibit No. 24)

Instruction 3-D of Electric Plant Accounts provides for the determination on a cash basis of the value of the consideration given when other than cash instead of the determination of the cash value of the things received. Inasmuch as the foregoing different values for the stock were arrived at by means of a valuation of services rendered, it was necessary to establish one value for the stock in order to determine

the cost of these services to the company. Based upon all the foregoing information, the common stock has been valued on a cash basis at \$25. per share.

Original Cost of Property and Services
Acquired with McCall Securities

The original cost to McCall Company on a cash basis of property and services acquired in whole or in part with securities is computed herewith, as that company first devoted them to public service.

1. Hutchinson properties and rights:

Cash	\$ 750,000.00
18,840 shares common at \$25.	<u>471,000.00</u>
Total	<u>\$1,221,000.00</u>

2. Harlow-McGaw properties and rights:

Cash (per contract)	\$ 200,000.00
Cash (interest)	432.00
250 bonds at \$900.	225,000.00
1000 shares common at \$25.	<u>25,000.00</u>
Total	<u>\$ 450,432.00</u>

3. Pullen option:

Cash (per option)	\$ 10,000.00
Cash (interest)	22.22
150 shares common at \$25.	<u>3,750.00</u>
Total	<u>\$ 13,772.22</u>

4. Harvey Fisk & Sons services:

1,875 shares preferred at \$50.	\$ 93,750.00
17,537½ " common at \$25.	<u>438,437.50</u>
Total	<u>\$ 532,187.50</u>

On the basis of Pliny Fisk's estimate, 3/8 of the total was for management services and 5/8 for banking services.

Management services	\$ 199,570.31
Banking services	<u>332,617.19</u>
Total	<u>\$ 532,187.50</u>

5. Bertron, Storrs & Griscom's services:

7,462 $\frac{1}{2}$ shares common at \$25.

\$ 186,562.50.

6. Lee, Higginson & Company's services:

5,000 shares common at \$25.

\$ 125,000.00

7. Miscellaneous acquisitions.

It is not known what was acquired by the following issuance of stock, therefore no computation as to cost has been made:

H. C. Frick 100 shares preferred

X - CONSTRUCTION PRIOR TO FAILURE OF McCALL COMPANY

Dam Crest Elevation of 185 Recommended

The original Advisory Board of Engineers of McCall Company consisted of:

Wm. Barclay Parsons, Chairman
Charles T. Main
F. O. Blackwell
Hugh L. Cooper
Cary T. Hutchinson

This Board issued a report dated August 7, 1905, a part of which is quoted herewith:

"This project, as originally undertaken, was to construct a dam at or near McCall's Ferry, Pennsylvania, having a crest elevation of 155 feet above mean sea level which, with the necessary power house and equipment, will have a capacity to deliver 50,000 horsepower to Philadelphia or Baltimore, or any point within the tributary territory. It was understood at the outset that it was possible to build a larger plant; no representations, however, were made for the larger plant, since the building of the higher dam necessary was dependent upon the consent of The Pennsylvania Railroad Company to the elevation of the tracks of the Columbia and Port Deposit Railroad, owned by it, to a height of about forty feet above the present grade. Immediately after the project was placed, this matter was taken up with The Pennsylvania Railroad Company, with the result that the Company has consented, informally, to elevate its tracks to the required height, at the expense of your Company. The Chief Engineer of The Pennsylvania Railroad Company estimates the cost of this work to be \$580,000—a sum only \$180,000 in excess of the amount included in the original estimates for the dam at an elevation of 155 feet necessary to protect the tracks of the Railroad at their present elevation from floods.

"This unexpectedly favorable estimate by the Pennsylvania Company makes it necessary to consider the construction of the higher dam; it is the principal object of this report to give costs of this undertaking for three heights of dam, that is elevation at 155, 170 and 185 feet."

* * * * *

"Our estimates of the total cost of the project, including all property, construction and equipment, right-of-way for pole lines to Philadelphia and to Baltimore, transmission lines and buildings all complete for delivery of power to Philadelphia or Baltimore, but excluding auxiliary steam plant in all cases, including interest during construction, are as follows:

Elev. 155	\$ 6,750,000.
Elev. 170	7,600,000.
Elev. 185	8,500,000.

**** we recommend strongly that the dam be now built to a crest elevation of 185."

(See Exhibit No. 25)

Bids for Construction

A call for bids for construction was made on August 11, 1905, based on unit prices of excavation and concrete for a dam and power house, the estimated quantities being for a dam with crest elevation 185 as recommended by the Advisory Board. Invitations were extended to eight companies, five of which submitted bids which were opened September 2nd.

The proposed form of contract required completion of the concrete work as specified by December 1, 1907, with a \$1,500. daily penalty for failure to complete by that date. The risk of damage or delay due to floods on the Susquehanna coupled with the penalty clause, caused some of the bidders to add about \$500,000. to the price they would have bid without the penalty clause.

The Board of Advisory Engineers then reported:

"Under a contract this Company is compelled to pay for the sum total of all possible accidents, that is, it binds itself to pay the maximum cost under the worst conditions, whereas in all human probability such a succession of accidents and contingencies as are implied in this excessive sum will not occur. The Company, therefore, cannot possibly come out advantageously by such an arrangement, and gives up all chance of benefits that would accrue to it from the average conditions which have existed for the last fifteen years."

Therefore, the Board recommended that the Company do the work itself by selecting some constructor of ability and experience and paying him a fixed bonus.

(See Exhibit No. 26)

Negotiations for Relocation of C. & P. D. Railroad

In the meantime a conference had been held on August 22nd with A. J. Cassatt, President of The Pennsylvania Railroad. Cassatt overruled the informal arrangements which had been made by his chief engineer and not only demanded that all expense incidental to a double track road-bed be borne by the McCall Company, but also that the maximum new grade be .3% instead of .42% as originally planned. This increased the estimated cost of relocation to \$1,772,500. and it was felt this would probably preclude building the higher dam.

The change in attitude of the railroad company when its president set aside its chief engineer's more liberal offer, eventually caused McCall Company to write Cassatt on November 1, 1905, in part, as follows:

"Our scheme was financed on the theory that we should build the lower dam. When subsequently we saw an opportunity to build a higher dam, if your railroad was moved, we, of course, found that the cost of the dam itself would be very much increased, but when we received the estimates of your chief engineer, as to what your present railroad could be duplicated for in the new place, we made up our mind that we should still have money enough to build the increased dam, and pay the amount he indicated as the cost. Your present idea would add so much to that sum that we could not bring it within our means, and there is no way that we could raise enough money, even if we thought it was well to do so to enable us to accomplish this."

(See Exhibit No. 27)

After some delay, Cassatt made an offer on December 6th to the effect that the railroad would make a refund of \$200,000. whenever it utilized the second track road-bed. The estimated cost for a double track road-bed with single track laid was given as \$1,437,520. (See Exhibit No. 27)

Cooper to Manage Hydraulic Construction

Following the recommendation of the Advisory Board that the company select some construction superintendent to manage the work, Hugh L. Cooper resigned from that Board in order to submit a proposition

whereby he would be in charge of construction. His original offer was subsequently revised and resulted in a contract dated October 18, 1905, embodying the following provisions:

1. Cooper was to be "Hydraulic Engineer" and "Manager of Construction."
2. He was to prepare plans and specifications for the works, which would be subject to the approval of the Chief Engineer.
3. He was to superintend the building of the dam, power house and other buildings, embankment walls, protecting walls, the railroad changes, and all work near McCall's Ferry incidental to the development of a complete hydroelectric plant but not including design or superintendence of the electrical equipment, transmission lines, or substations.
4. The term of the agreement was to be until the completion of the dam, buildings and all hydraulic works of the plant, ready for permanent operation.
5. Cooper agreed to supply such part of his organization then working at Niagara Falls as was necessary to carry on the work at McCall Ferry, including Beverly R. Value.
6. Value was to be "Engineer in Charge" and his salary paid from Cooper's fee.
7. All other employees under Cooper were to be selected by him but paid by the McCall Ferry Power Company, the latter having the right to dismiss any of Cooper's employees.
8. Salaries, wages, contracts for labor and materials or any other obligations incurred by Cooper for the account of the company, were subject to the approval of the Chief Engineer whose decision was final.
9. If the higher dam (170 to 185) were built, Cooper was to receive:
 - A. \$125,000. in twenty-five monthly installments of \$5,000. each.
 - B. \$50,000. bonus in monthly installments of \$5,000. each if his work was completed by January 1, 1908, to the extent that the dam was finished to crest line, power house substructure completed and all walls, embankments and incidental work done so a flood giving ten feet of water on the dam crest would cause no damage.
10. If the lower dam (155 to 170) were built, Cooper would receive:
 - A. \$100,000. in \$4,000. monthly installments.
 - B. \$30,000. bonus for completion, as defined in 9B.
11. The foregoing payments were to be net to Cooper and Value, all other expenses of office force, draftsmen, travel and assistants were to be paid by the McCall Company.

(See Exhibit No. 28)

Sanderson & Porter to Superintend
Electrical Construction

On October 25, 1905, an agreement was signed by McCall Company and Sanderson & Porter whereby the latter firm was employed as "Superintendent of Electrical Construction."

1. The term of the agreement was to be until the installation of all the electrical equipment, including transmission lines and substations, was complete but, not longer than until January 1, 1909.
2. Sanderson & Porter was to prepare the plans and specifications for the electrical work as well as purchase the materials and machinery, employ labor, test, install and supervise, all subject to approval of the Chief Engineer.
3. The firm was to keep a complete set of books and vouchers.
4. Sanderson & Porter was to receive a fee of \$50,000. in thirty-eight equal monthly installments.
5. The McCall Company agreed to pay all salaries of engineers, draftsmen or clerks employed on the power company work but no general office expenses.

(See Exhibit No. 29)

Acquisition of Additional Property
and Rights

About the time that negotiations with the Railroad had caused consideration to be given to building a dam with crest elevation of 185, an opportunity arose to acquire a group of flowage releases on property which would be affected by a dam at that height. These were acquired in August 1905 from John M. Witmer. Several other parcels, deemed essential to the dam and power house as finally located, were subsequently purchased. Details of these transactions will be presented in Parts XIV and XV, dealing with the acquisition of land and water rights and the ultimate disposal of those not used for the Holtwood development.

Agreements for Relocation of C. & P. D. Railroad

On February 16, 1906, an agreement was executed between McCall Company and the Railroad Company providing for the relocation of the C. & P. D. tracks for a dam crest elevation of 185. The work was to be

done by the Railroad Company and the costs were to be borne by McCall Company. This was superseded by an agreement dated April 14, 1906, whereby McCall Company or its appointee was to do the work instead of the Railroad Company.

On this latter date an agreement was executed between McCall Company and H. S. Kerbaugh providing for the relocation work to be done by Kerbaugh for a fixed sum. Inasmuch as it was later decided to build the dam to elevation 165 instead of 185, new agreements were executed with both the Railroad and Kerbaugh.

McCall Ferry Supply Company Formed

On January 29, 1906, the McCall Ferry Supply Company was incorporated in New York with an authorized capital stock of \$10,000., only \$500. of which was ever issued. The McCall Ferry Power Company owned this stock and in addition advanced the Supply Company \$40,000. on the Supply Company's notes. While it had broad charter powers, it never did more than operate general merchandise stores, dining rooms and the temporary living quarters incident to the construction of the McCall project.

Construction Begins

Construction was started on October 24, 1905, by a clearing gang of 25 or 30 men and was followed by the construction of the temporary camp buildings, railroad sidings, permanent houses for the operators and the erection of construction equipment.

Under the contract with Kerbaugh for railroad relocation work for a dam at elevation 185, McCall Company had reserved for itself grading in the vicinity of the dam and began work on this section in March 1906. During April, Kerbaugh was getting his equipment placed and started con-

struction on May 8th. However, on May 12th he was asked to suspend operations due to a change in plans which might call for a lower dam.

Factors against Dam at 185

It is not evident just what factors were considered in abandoning the idea of a dam at elevation 185. It should be recalled that the relocation of the railroad, as contracted for, would exceed the original estimate by approximately \$1,000,000. However, in relocating the railroad for the higher dam, the proposed new location would require acquisition of Paul Heine's hotel. Heine would make only one offer: that he would sell his hotel and 140 acres of land for \$165,000. According to good information, it had cost Heine less than \$40,000.

Another factor against the higher dam was the cost of acquiring the small hydro plants on Pequea and Conestoga Creeks, the operation of which would be affected by a dam at 185. In his estimate of December 18, 1905, Hutchinson had allowed only \$100,000. for all the railroad right of way, another \$100,000. for Conestoga Creek properties and damages but nothing for the Colemanville plant on Pequea Creek. Boyd Ehle, Hutchinson's assistant, stated the Pequea Creek rights including the Colemanville plant could be acquired for from \$230,000. to \$280,000. and that Conestoga Creek rights would cost about the same. It has been reported that, at the final showdown, a price greatly in excess of these figures was demanded for the Pequea Creek properties.

Estimates for Six Different Plants

Under date of June 4, 1906, Cooper prepared a schedule of estimated cost and earnings for six different plants: two at Fry Island site with dam crest at 165 and one at the same location with dam at 185; three at Cully's Falls site, all having dams at 165.

Subsequently, Cooper was asked to make revised estimates based on a different number of units, namely: seven units installed for delivery of 50,000 hp. with provision for three future units for an additional 25,000 hp. A comparison of figures, submitted by Hutchinson on June 19, 1906, showed the following:

<u>Estimate</u>	<u>Hp. Delivered</u>	<u>Total Cost</u>	<u>Cost per hp.</u>
1. Prospectus - March 1, 1905 - (155 dam)	50,000	\$5,491,000.	\$ 110.
Add for Harlow-McGaw Purchase	-	450,000.	
Total	<u>50,000</u>	<u>\$5,941,000.</u>	\$ 119.
2. Hutchinson - December 18, 1905 - (185 dam)	50,000	\$8,265,000.	\$ 165.
Add for extra	<u>25,000</u>	<u>500,000.</u>	
Total	<u>75,000</u>	<u>\$8,765,000.</u>	\$ 117.
3. Cooper - June 18, 1906 - (165 dam)	50,000	\$8,859,000.	\$ 177.
Add for extra	<u>25,000</u>	<u>533,000.</u>	
Total	<u>75,000</u>	<u>\$9,392,000.</u>	\$ 125.

Regarding this, Hutchinson commented:

" * * * * in spite of the very great increase in the cost of railroad elevation, of property, and sundry expenses, the present estimate, using Mr. Cooper's figures as a basis, (which are unquestionably maximum figures), shows substantially the same cost per horse power as did the original estimate; the proposition is, however, now based on 75,000 horse-power, whereas it was originally based on 50,000 horse-power, - thus insuring materially greater net earnings.

"The conclusion to be drawn from this is that the merits of the original proposition were much understated, and that under existing conditions, the proposition is better than at the outset."

(See Exhibit No. 30)

On the same day (June 19th) Parsons submitted a report to Dimock commenting on Cooper's estimates in part as follows:

" * * * Mr. Cooper has used plans with somewhat larger sections than those heretofore considered by the Board of Engineers, giving a dam of much greater weight, in order to provide an additional margin of safety, and foundations for a power-house on a somewhat larger scale in order to carry the greater power. For the moment it would seem wise to accept Mr. Cooper's enlarged sections, for if there is any error, it is an error on the safe side. The details of Mr. Cooper's

estimates have been gone over very thoroughly, and it would seem that he has included an exceedingly liberal margin for all possible contingencies. The Board may accept, therefore, Mr. Cooper's total estimate as the maximum cost of a dam at elevation 165 feet at McCall Ferry.

" * * * unless some extraordinary contingency occurs, the actual cost should be considerably below Mr. Cooper's estimate, --possibly as much as \$500,000."

(See Exhibit No. 30)

Dam Crest Fixed at 165

Cooper recommended suspending work at the Fry Island site and building the dam about a mile farther down river at Cully's Falls. Cooper's drawings had been submitted to Ehle by Hutchinson for comment and criticism. Ehle strongly opposed the Cully's Falls location. Parsons recommended constructing a dam at an elevation of 165 at the Fry Island site. This recommendation was concurred in by Hutchinson and Blackwell. The Executive Committee authorized the execution of these recommendations at its meeting June 19, 1906.

Final Agreements with Railroad for Relocation of C. & P. D.

The change in elevation of the crest of the dam to 165 necessitated new contracts covering the relocation of the C. & P. D. Railroad. After some delay an agreement was signed by the Railroad and McCall Companies, dated August 13, 1906, containing among others the following provisions:

1. The existing C. & P. D. single track would be relocated on a double track road-bed between Safe Harbor and Fishing Creek about 12½ miles with the alignment not less favorable than the old location nor would it be required to be more favorable. Grades must not be more than 0.3% equated for curvature.
2. The McCall Company was to pay for a double track road-bed with a single new track laid and all necessary stations, telegraph lines, sidings, culverts, etc., and also reimburse the Railroad Company for all costs in connection with the acquisition of right of way over property not owned by McCall Company.

3. Between Fishing Creek and Benton, a distance of about 1-1/6 miles, a run-off to the old track was to be permitted on a 0.5% grade, until January 31, 1913, pending construction of another dam downstream. If such construction were not undertaken by that date, this grade would have to be reduced to 0.3% at McCall Company's expense.
4. The Railroad Company was to acquire the right of way for the new location between Safe Harbor and Peach Bottom on terms and at prices approved by McCall Company except where the right of way would be across land owned by the McCall Company.
5. All work to be done in accordance with the plans and specifications of the Railroad Company and subject to approval by the Chief Engineer of the Railroad Company.
6. Whenever the Railroad Company made use of the road-bed for a second track between Safe Harbor and Benton, it was to pay McCall Company \$200,000.
7. McCall Company agreed to execute a bond for \$250,000. for faithful performance of the contract.

(See Exhibit No. 31)

A supplementary agreement bearing the same date was also signed by these parties providing for the deposit of \$250,000. cash with the Knickerbocker Trust Company in lieu of a bond. Acknowledgment of the receipt of \$250,000. from McCall Company was made by Knickerbocker Trust Company on August 29th with the understanding that interest would be allowed at the rate of 4 1/2% and would be credited semiannually. A few days later an agreement was signed between McCall Company and Knickerbocker Trust Company whereby the former agreed to "indemnify and hold harmless the Trust Company against any loss or expense occasioned by any controversy" between McCall Company and the Railroad.

Final Agreements with Kerbaugh for
Relocation of C. & P. D.

About the time the final contract was signed with the Railroad Company, negotiations were resumed with Kerbaugh for a new contract due

to the decision to build McCall Ferry dam to elevation 165 and relocate the railroad for that elevation. Two contracts were signed by McCall Company and Kerbaugh, both dated August 27, 1906. The main provisions of the first one were:

1. Kerbaugh agreed to do all work and furnish all materials in connection with the relocation of the C. & P. D. R. R. as provided for in the contract between McCall Company and the Railroad Company, dated August 13, 1906, a copy of which was attached. This included all culverts, bridge substructures for double track and superstructures for single track; grading and road-bed for double track; a complete single track railway with necessary sidings, telegraph lines and stations.
2. Kerbaugh was not required to furnish or pay any expense of procuring any part of the right of way.
3. Kerbaugh was not required to bear the expense of removing, repairing or reconstructing any roads incident to the railroad relocation except as directed and for which he was to receive actual cost of the work plus 10%.
4. Except as noted in Items 2 and 3, Kerbaugh agreed to do the entire work acceptable to the Chief Engineer of the Railroad Company for a lump sum of \$1,250,000.
5. McCall Company was to be permitted to do the excavation one-half mile above and one-half mile below the dam for which they were to deduct 80 cents per cubic yard from the \$1,250,000.

(See Exhibit No. 32)

The second contract signed August 27th between Kerbaugh and McCall Company provided that there should be no lien filed against the relocation work or extra work provided for in the main contract.

Because of difficulties and delays in securing the necessary right of way, the railroad relocation work moved slowly until the middle of November 1906. However, good progress was made after that time and on September 11, 1907, Kerbaugh substantially completed the relocation

of the C. & P. D. R. R. and the Railroad Company resumed operations September 12th.

Contract for Cully's Cut

The Board of Advisory Engineers had recommended, on July 31, 1906, that a cut be made through Cully's Falls which would lower the level of tail water approximately seven feet and that the necessary crib wall be built to utilize this cut for a tailrace. The estimated cost was \$300,000. The Executive Committee approved this recommendation on August 8th with the understanding that a contract for the excavation would be made if satisfactory terms could be secured.

A contract for this excavation was executed by McCall Company and Kerbaugh on August 15th, the main provisions being:

1. Kerbaugh agreed to furnish all material, equipment and labor necessary for excavating the "rock canal" shown on the accompanying drawings. This involved removal of approximately 135,000 cu. yds. of rock.
2. Kerbaugh agreed to dispose of the spoil in the locations shown on the drawings adjacent to the cut except such part as McCall Company wished to use which Kerbaugh would load on McCall cars without extra charge.
3. McCall Company agreed to pay Kerbaugh \$1.50 per cubic yard of solid rock excavated as specified as full compensation for furnishing all material, equipment and labor.
4. McCall Company agreed to pay Kerbaugh cost plus 10% for all incidental work that McCall's chief engineer ordered Kerbaugh to do.

(See Exhibit No. 33)

The cofferdam which Kerbaugh built across the lower end of Cully's Cut proved inadequate during the higher river flows with the result that backwater not only prevented work on the Cut during these periods but also flooded the excavation for the power house. On January 1, 1907, with the excavation of Cully's Cut considerably less

than half completed, the river reached flood stage to the extent that it passed over the main cofferdam above the dam. For the next month the river continued high enough to keep the tailrace area flooded and it was not until after the middle of February that the area was unwatered so Kerbaugh could remove his equipment and wait for more favorable conditions.

Kerbaugh Abandons Cully's Cut

On April 2, 1907, Cooper wrote to Hutchinson that he believed the excavation of Cully's Cut should be taken from Kerbaugh who had failed to complete it by January 1st as planned, and that McCall Company should complete it under Cooper's supervision. He believed the work would have to be done intermittently, depending on both stream-flow and the dam and power house work.

By April 9th, an arrangement had been made with Kerbaugh whereby McCall Company would take over Kerbaugh's construction plant and complete the tailrace excavation.

McCall Company worked on the Cut from the latter part of April until early July 1907, when it became necessary to open the main cofferdam in the Lancaster channel in order to close the one in the York channel. This flooded Cully's Cut when still less than half completed and no further work was done there until April 1908.

Miscellaneous Contracts

In addition to the major contracts already mentioned a number of contracts, exclusive of those for permanent equipment, were made from time to time. These included contracts for clearing the flowage basin, relocation of township roads necessitated by moving the C. & P. D. tracks, sand, cement, construction equipment, etc. In the cases of sand and crushed rock, the company merely obtained the right to remove the material

and set up its own sand plant and rock crushers. Major contracts for permanent equipment were made with I. P. Morris Company for turbines and General Electric Company for generators, transformers and switchboards.

Construction Expenditures as of October 1, 1906

A statement of McCall Company was prepared, showing expenditures to September 30, 1906, together with estimates of amounts to complete the development with six units and eighty miles of transmission lines. The expenditures included only those items chargeable against the \$6,400,000. cash provided for, under the agreement of June 13, 1905, with the Contracting Company.

	Already Spent	Estimated To Be Spent	Total
Real Estate	\$ 37,014.	\$ 365,000.	\$ 402,014.
Hydraulic Construction	1,133,240.	2,300,000.	3,433,240.
Improvement of Tailrace	-	225,000.	225,000.
Electric Construction (6 units)	205.	1,322,000.	1,322,205.
Relocation C. & P. D.	10,375.	1,239,625.	1,250,000.
Removal of Highways	-	50,000.	50,000.
Admin. & Gen'l. Expenses	234,868.	536,000.	770,868.
Net Interest during Const'n.	424,150.	175,850.	600,000.
Total	<u>\$1,839,852</u>	<u>\$6,213,475.</u>	<u>\$8,053,327.</u>

Available Resources

Cash	\$ 578,151.
Susquehanna Contracting Company	3,699,175.
McCall Ferry Supply Company	40,000.
Knickerbocker Trust Company (Money in Escrow)	250,000.
1,517 Bonds in McCall Company Treasury (to be sold at 90)	1,365,300.
Total	<u>\$5,932,626.</u>

(See Exhibit No. 34)

It was evident at this time from the above tabulation that approximately \$280,000. was required in addition to available resources.

Status of Construction at End of
First Year - November 1, 1906.

Cooper's program for prosecuting the work had provided for construction of the cofferdam across the Lancaster channel during the winter of 1905-06 and complete installation of entire construction plant during the same period. Actually the first crib was not built until March 1906, and the cofferdam was not completely closed until the middle of July, thus resulting in considerable loss of time during low water season when excavation and concreting could be carried on. Cooper attributed this delay to the difficulty of getting his organization together and of getting experienced crib men from Canada.

The proposed source of sand from Chesapeake Bay proved inadequate and a new source was located at Charlestown. The first sand to arrive from the former source was on September 24, 1906, and in the meantime a local sand bar had to be utilized. Rock was first crushed at the quarry on August 23, 1906.

By November 1, 1906, approximately one year after construction had been started, a considerable amount of work had been done but the project was behind schedule. The cofferdam from the Lancaster shore to Fry Island was in place and the Lancaster channel unwatered, excavation for the dam in Lancaster channel was complete and ready for concrete and some excavation had been done at the power house; the construction bridge was complete along the power house and had been started along the dam; the temporary camp and construction buildings were complete and in use; the twelve permanent residences had been finished, water lines and sewers had been laid, telephone service installed and a temporary electric light plant was in service, one power house and two bridge pelican cranes were in use.

Court Upholds McCall Company's Right
to Construct Dam

A Bill in Equity was filed by the Attorney General of Pennsylvania against McCall Company on October 24, 1906, asking for a perpetual injunction restraining McCall Company from constructing and maintaining a dam without adequate provision for the future navigation of the river by canal and without adequate provision for the passage of fish. It further requested a perpetual injunction, preventing McCall Ferry Power Company, Susquehanna Canal and Power Company and Susquehanna and Tide-Water Railroad Company from carrying out their agreements of release and conveyances.

The filing of this Bill was the culmination of agitation which had been started in March 1906, by a group of fishermen and fishery owners of York County.

The case was heard January 14, 1907, and the decree handed down, providing that the right of McCall Company to construct and maintain a dam was to be subject to its making and maintaining adequate provision for the passage of fish and further subject to the installation and maintenance of proper locks whenever the State or Federal government improved navigation of the Susquehanna in such way as to otherwise secure continuous navigation between Columbia and Havre de Grace. (See Exhibit No. 35)

Power Contracts

As early as June 1905, negotiations had been started by McCall Company for a power contract in Baltimore. For almost two years these negotiations continued, during which time many studies were made and various proposals were submitted by the interested parties. Finally, on March 13, 1907, a contract was executed with the Consolidated Gas Electric Light and Power Company of Baltimore. Under the terms of this contract an

annual standby charge of approximately \$80,000. was made for 4,000 kw. plus two mills per kwh. taken up to that maximum. The contract was to run for ten years from date of initial delivery of power. A new contract with minor revisions was executed on June 4, 1907. (See Exhibit No. 36)

On June 28, 1907, a contract was executed with United Railways and Electric Company of Baltimore which was to run for ten years from date of initial delivery of power. Under the terms of this contract an annual standby charge of approximately \$200,000. was made for 10,000 kw. plus two mills per kwh. taken up to that maximum. (See Exhibit No. 37)

Concurrently with negotiations in Baltimore, power market surveys were being made in towns and cities of Pennsylvania within a sixty-mile radius of McCall Ferry. Tentative arrangements were made with a proposed distributing company for a large portion of that section whereby that company would ultimately purchase approximately half of the McCall output. However, before a formal agreement was executed, McCall Company encountered financial difficulties and further negotiations were suspended.

Additional Financing Considered

It has already been stated that the original financing for McCall Company had been based on estimates of cost for a 50,000 hp. plant with a dam elevation of 155. In June 1906, the decision was made to fix the dam crest at 165 and build a plant to deliver 75,000 hp. In August, it was decided to make the tailrace cut which would add about 20,000 hp. capacity. At both times, it was known that the company would need more cash than had been arranged for and on November 30, 1906, it was estimated that about \$1,646,000. additional cash would be required.

On May 8, 1907, a new estimate was made of the total cost of

the project, including purchases of land made subsequent to the original acquisition, interest during construction, and all other expenses up to January 1, 1909, when the plant would have operating 50,000 hp. This total of \$9,815,000. exceeded the October 1, 1906 estimate by \$526,000. due mainly to the fact that in the latter estimate it had been assumed the plant would be in operation September 1, 1908, and the additional period of time increased both administration and interest costs. The cost of four additional units, making a total of ten, would be \$600,000. more. Against this estimate, the Company was expected to have earned by January 1, 1909, \$48,000. interest on bank balances and \$200,000. from operating the units as they were placed in service between June 1, 1908, and January 1, 1909.

At the anticipated rate of expenditure, the company's cash resources would carry only until the first of October 1907, and in order to continue with the work thereafter, it would be necessary to have available the proceeds of the sale of the Treasury Bonds.

Various plans were considered for selling the Treasury Bonds but apparently actual underwriting was to be delayed until available cash was exhausted.

Knickerbocker Trust Company Failure

Just before the cash available to McCall Company under its agreement with the Contracting Company had been exhausted, the Knickerbocker Trust Company failed on October 21, 1907, as a result of the panic of 1907. At the time of its closing, the McCall Company had no funds on deposit there except the \$250,000. which had been made to indemnify the Pennsylvania Railroad Company in case of failure to complete the relocation of their tracks. The closing did, however, interfere with the arrangements of the McCall Compa-

ny for getting further money immediately for carrying on the work. At that time, approximately \$345,000. remained unpaid on the loan arrangements which had been made. The failure of the Trust Company precluded immediate payments under the loan arrangements, and the general financial conditions resulting from the panic made any additional financing impossible at this time.

Status of Construction at End of
Second Year - November 1, 1907

McCall Company's current liabilities exceeded the current assets at the end of October by approximately \$77,000. Prompt curtailment of construction resulted. On October 23rd, estimates showed that to complete the plant with six units and transmission lines to Baltimore for 50,000 hp. would require the sale at 90 of the \$1,517,000. of bonds in McCall Company and \$158,000. in Susquehanna Contracting Company's treasuries and also \$1,350,000. additional cash. On the first of November, the full working force was reduced to approximately 100 men, and the last of January 1908, work was practically suspended.

Hutchinson made a report on the "Condition of the Work at McCall Ferry on November 1, 1907." An accompanying tabulation of the work done as a percentage of the total showed:

Concrete

Dam and Abutments	75%
Power House Sub-structure	74%
Power House Super-structure	42%
Sundry	47%
Total	72%

Steel

Power House Super-structure	8.5%
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Rock Excavation

Tailrace	40.5%
Sundry	79.0%
Total	59.5%

The expenditure of money as a percentage of the estimated total required is as follows:

Expenditures for Construction

Construction Plant and Preliminary Work	100%
Dam and Power House Sub-structure	71.5%
Power House Super-structure	16.8%
Hydraulic Equipment	22.4%
Electrical Equipment	0
Tailrace Improvement	47.6%
Elevation C. & P. D. Tracks	92.5%
Total	67%

Making allowance for the time and money spent in preparatory work, Hutchinson estimated the work as a whole, exclusive of equipment, was at least 80% complete.

(See Exhibit No. 38)

Balance of Loan Obtained

By arrangement with the Receivers of the Knickerbocker Trust Company the balance of the loan, approximately \$345,000., became available to McCall Company early in 1908. With this money construction proceeded and transmission line rights of way were acquired.

\$400,000. Loan Obtained

In the summer of 1908 consideration was given plans for securing additional financing for McCall Company, but because of general financial conditions, nothing definite was done at that time. Satisfactory arrangements apparently could not be made for the sale of additional McCall bonds and the possibilities of utilizing the treasury bonds to secure a loan were considered. On October 2, 1908, Simpson, Thacher & Bartlett sent letters to Lee, Higginson & Company, Harvey Fisk & Sons, C. A. Coffin and Bertron, Storrs & Griscom, setting forth the plan for obtaining a loan. The assets of the Contracting Company were:

1. Due from McCall Company	\$130,000.
2. Conowingo Land Company Mortgage and Interest	30,000.
3. Land and rights at cost and interest	50,000.
4. McCall Company Bonds (Par Value)	158,000.
5. Cash	2,000.

The McCall Company was in need of an estimated \$62,000. for construction work and to maintain its organization until some new arrangements could be made. It was, therefore, proposed to have McCall Company acquire the first three items and \$62,000. in cash from the Contracting Company by issuing to the Contracting Company \$544,000. par value of McCall bonds at 50. This would give the Contracting Company possession of a total of \$702,000. par value of McCall bonds with which it would secure a loan of \$400,000. Additional security for the loan would be obtained by having McCall Company pledge its equity in the \$250,000. deposit for the railroad relocation and also in the Conowingo Land Company \$25,000. mortgage which it would be receiving from the Contracting Company. The consideration the Contracting Company gave to McCall Company for pledging this additional security was the right to purchase at or prior to maturity of the loan the \$702,000. par value of bonds by payment of the principal and interest of the loan.

The essence of the proposition was submitted by the Contracting Company to McCall Company on October 20th and accepted by the latter on the 22nd. (See Exhibit No. 39) This \$400,000. loan was obtained on October 28, 1908, under four notes executed by the Contracting Company, each for \$100,000. in favor of the following:

1. Harvey Fisk & Sons
2. Lee, Higginson & Company
3. Bertron, Storrs & Griscom
4. C. A. Coffin

The \$702,000. McCall Company bonds, equity in the \$250,000. deposit and the Conowingo Land Company mortgage, were pledged as collateral.

(See Exhibit No. 40)

Knickerbocker Trust Company Extends Loans
on Bond and Stock Purchase Agreements

The loans aggregating \$4,449,600. which the Contracting Company had obtained from Knickerbocker Trust Company fell due on November 1, 1908. These were secured by the bond and stock purchase agreements and the McCall bonds and preferred stock which the agreements covered as heretofore stated. The deferred subscribers were credited with interest on their initial payments and thus the total payments due from them on November 1st would fall short of paying the principal on the loan by \$192,816. and after making adjustments for accrued bond interest from June 15th to November 2, 1908, the balance would still fall \$74,366. short of the required amount. Arrangements had been completed on October 6th whereby the Trust Company would extend part of the loans on bond and stock purchase agreements for one year. This involved another payment of 20% of the purchase price by the subscribers and execution of notes by the individual subscribers dealing directly with the Trust Company and not through the Contracting Company.

Summary of Work Done by McCall Company

By November 1908, the funds available to McCall Company were exhausted. At this time, except for the tailrace excavation, the plant stood about as it was when work had shut down early in 1908. It was estimated the plant was about 85% completed, with various portions as follows:

Power house	80% complete
Main Dam	82% "
Deflection Wall	56% "
Tailrace Excavation	100% "
Forebay	98% "
Ice Protection	95% "

(See Exhibit No. 41)

More specifically, the physical status was as follows:

Power House: The substructure was complete including the concrete part of the draft tubes but not the steel portion. Between the units, the concrete had been poured to about elevation 120. The operating tunnel floor was complete except for the finished slab. Between the generator room and the gate house, the rheostat gallery arches were complete and the wall carried up to the level of the generator room crane for the entire length of the building. In addition, this wall was finished over the first three units to the level of the gate house crane. Between the generator room and the transformer house, the wall was complete for the length of the building to the height of the generator floor. From the river end to the center line between the exciters and Unit 6, it was finished to the level of the generator room crane and over Units 1, 2 and 3 it had been carried up to the level of the gate house crane. The roof columns, trusses and purlins had been placed over the first four and one-half units. Piers for the submerged intake arches had been placed for the first three units and some concrete poured for the arches.

Main Dam: The Lancaster channel part was complete to full height except for seven of the 40 ft. sections left at about elevation 120 for flood openings. All Fry Island sections were finished, and the York Channel portion was complete except for eight flood openings and approximately the last 200 ft. adjacent to the York County shore. The abutment itself had not been placed.

Deflection Wall: This was complete to approximately elevation 130, except the last portion about 150-200 feet long on Piney Island which was carried to full height.

Forebay and Ice Protection: The skimmer wall was complete and the connecting bulkhead finished to about elevation 160. The two crib foundations for the ice boom piers had been placed but no concrete added. The concrete work on the L-shaped pier at the end of the ramp was about half finished. The rock fill on the ramp was practically complete.

Equipment: The six main turbines and two exciter turbines being built by I. P. Morris Company were approximately 50% completed although no shipments had been made.

Under contracts with the General Electric Company:

1. One generator was completed.
2. One generator was over 60% completed.
3. The remaining four were in various stages, some parts being finished, while others were in the rough. In general, exclusive of material, over 20% of the work had been completed.
4. The transformers were between 50% and 60% completed.
5. Other apparatus, such as compressors, small motors, air tanks, etc., were 100% completed.
6. The switchboard was about 80% completed.

(See Exhibit No. 42)

XI - REORGANIZATION OF McCALL COMPANY

Formation of Bondholders' Committee

As mentioned under the preceding heading, the funds available to McCall Company were exhausted by November 1908. Since the middle of that year various plans had been considered for securing enough additional financing to complete the project, some of which included a reorganization of McCall Company. Various interests not previously identified with the development had been asked to investigate it and submit plans for its completion.

Realizing that the company would have to default on its bond interest due December 15, 1908, notices dated December 7th were sent to bondholders. These notices were issued by the following group:

Harvey Fisk & Sons
Lee, Higginson & Company
Bertron, Storrs & Griscom
H. F. Dimock
C. A. Coffin

In substance, the notice contained the following:

1. The undersigned had been engaged for some time in efforts to secure completion of the McCall project in a manner satisfactory to the bondholders.
2. McCall Company would not have sufficient funds to pay bond interest due December 15, 1908.
3. With the approval of "holders of a large portion of the bonds outstanding" the following had been asked "to act as a Committee in the interests of the holders of bonds and preferred stock" and to continue negotiations to perfect a plan for financing completion of the enterprise:

William M. Barnum
A. C. Bedford
S. Reading Bertron
Charles A. Coffin
Gardiner M. Lane

4. To strengthen the committee's hands in the pending negotiations, immediate deposit of all bonds and preferred stock was requested under a preliminary agreement.

5. Bondholders could withdraw their bonds if they did not approve the final plan when presented.

(See Exhibit No. 43)

The preliminary agreement accompanying the foregoing notice was also dated December 7, 1908, and provided for:

1. Deposit of bonds and preferred stock with the Knickerbocker Trust Company or the City Trust Company of Boston to be held subject to order of a majority of the Committee.
2. Continuance by the Committee of negotiations to perfect a plan for financing completion of the project.
3. Submission to the depositors of a plan before June 30, 1909.
4. Privilege of withdrawal from the final plan during a period of at least 30 days after submission.
5. The depositors to give the Committee full power of attorney regarding the bonds and stock until the formation of the plan.
6. The Committee to serve without compensation.

(See Exhibit No. 44).

The group referred to themselves merely as the "Committee" although in effect it was a "Bondholders Protective Committee." Numerous references appear to the "Reorganization Committee."

Negotiations for Reorganization

Negotiations for obtaining additional financing were conducted with the following:

Electric Bond and Share Company
 J. E. Aldred - President of Shawinigan Water & Power Company, in Canada.
 Joseph B. McCall - of the Philadelphia Electric Company.
 W. R. Warren and
 his friends - (Warren was a partner in Warren-Scharff Co., General Contractors of New York.)
 James B. Colgate & Co. - Private Bankers, New York.
 Randall Morgan - Vice-President and General Counsel for The United Gas Improvement Company.

Aldred has stated that about the latter part of October 1908, Coffin, the President of General Electric Company, had arranged for him to meet with some of the people who were attempting to work out a plan to salvage the McCall Ferry enterprise. He devised several programs during his examination of the Company's affairs to determine the one which would be acceptable to the old bondholders and yet be liberal enough to insure success of the sale of securities for the necessary new money.

Memorandum of Understanding with Aldred

After considering the various plans offered, the Bondholders Committee accepted the one submitted by Aldred after certain modifications had been mutually agreed upon. On April 24th, Aldred attended a meeting of the Committee at which a "Memorandum of an Understanding" was signed by the two parties. This embodied the following:

1. Either a new company would be formed or the old one continued.
2. Capital stock to be \$8,500,000.
3. \$12,500,000. of First Mortgage 30 year 5% Gold Bonds, dated July 1, 1909, to be authorized, of which \$7,500,000. were to be issued for refinancing.
4. The \$8,500,000. of old McCall bonds to be exchanged for:
 - a. 40% new bonds (\$3,330,000.)
 - b. 60% new stock (\$4,995,000)
5. To be used for construction and other corporate purposes:
 - a. \$4,000,000. of new bonds
 - b. \$3,500,000. of new stock
6. Proceeds from sale of \$170,000. of new bonds to be used by the Committee in meeting reorganization expenses and in making settlement with the floating debt of the Company, reported as not exceeding \$250,000. Any balance to be turned over to the reorganized company.
7. Aldred would endeavor to sell \$4,170,000. of the new bonds at 90.
8. \$3,500,000. of new stock to go to Aldred for use in connection with the sale of the \$4,170,000. of bonds, or otherwise, as he might determine.

9. The old bondholders to have the privilege of subscribing to \$1,000,000. (or to any part thereof) of the new bonds at 90 with a stock bonus equal to 50% of the par of the bonds.
10. All stock to be placed in a voting trust until November 1, 1912.
11. Aldred to nominate two of the trustees of the voting trust, and the Committee, the remaining one.
12. Provision was to be made for the payment of the loan to the Susquehanna Contracting Company of \$400,000. and the security thus released, consisting of the following, would be assigned to the reorganized company:
 - a. \$702,000. of McCall bonds (to be cancelled upon release)
 - b. \$250,000. indemnification deposit in Knickerbocker Trust Company.
 - c. \$25,000. Conowingo Land mortgage.

(See Exhibit No. 45)

In connection with the negotiations leading up to the foregoing "Memorandum of an Understanding," Aldred has stated the following:

"The Committee desired to secure my services until the plant was in successful operation. The various plans submitted for consideration had caused a difference of opinion and considerable opposition from some of the bondholders and particularly from the common stockholders. It was, therefore, deemed expedient by the Committee to temporarily concentrate control in a voting trust and so far as practicable to bring in new personnel familiar with this type of project.

"In addition to the common stock for bonus for the new money bonds and that necessary for the bankers compensation, as provided in the above capitalization, the Committee stipulated as a part of my plan that I, in consideration of 5,000 shares of stock, would become the active manager of the Company during construction and until the expiration of the proposed voting trust, by which time it was expected that the first group of units would be in service and satisfactory power contracts obtained for their output. I delivered a relatively small amount of the 5,000 shares to engineers whom I had consulted on the feasibility of completing the development and making it a profitable enterprise. Inasmuch as my compensation was to be in common stock and my reputation was staked on the outcome of the project, it was agreed that I should have the right to select two of the three members of the voting trust."

(See Exhibit No. 46)

Aldred's Preparations for Underwriting

Aldred's associates in the reorganization plan were E. R. Wood, Vice President of the Dominion Securities Corporation of Toronto, and H. S. Holt, President of the Montreal Light, Heat & Power Company. After Aldred, Wood and Holt had carefully considered the situation, they became convinced that it would be difficult to underwrite all the new money bonds promptly in America. The old bondholders subscribed to only half a million par of the new bonds.

Aldred therefore proposed that Kitcat & Aitken of London form a syndicate to underwrite \$1,835,000. par value of the new bonds at 90. For these services they were to receive \$457,500. par value of stock in addition to the 50% bonus to accompany the bonds. Aldred, Wood and Holt were to secure underwriting for an equal amount of bonds with a like stock bonus and receive a similar fee in stock. These two underwritings, together with the \$500,000. of bonds purchased by the old bondholders which likewise carried a 50% stock bonus, but no underwriting fee, accounted for the total \$4,170,000. of bonds sold to raise the additional money.

English Underwriting Agreement

Kitcat & Aitken's Underwriting agreement, dated May 27, 1909, offered participation on the basis of bonds at 90 with a bonus of 40% in stock. Initial payment was to be 10% of par and arrangements could be made to defer the balance until July 1, 1910. Loans on the deferred subscriptions could be made at 5% plus all expenses of stamps. Deferred subscribers would receive only 30% stock bonus instead of 40%. (See Exhibit No. 47)

Canadian Underwriting Agreement

Aldred, Wood and Holt grouped their underwriting under the

name of Montreal Trust Company. Under the terms of the purchase agreements between the Trust Company and the subscribers, the latter purchased bonds at 90 with a bonus of 50% in stock. Calls were to be made as follows:

10% August 1, 1909
15% October 1, 1909
25% Maximum amount of subsequent calls on
30 days' notice

(See Exhibit No. 48)

Final Plan and Agreement for Bondholders

At a meeting of the Committee held on May 27th, a proposed Circular and a Plan and Agreement were approved for solicitation of McCall bondholders. This was the plan which effected the reorganization of the McCall Company. Under date of May 28, 1909, this "Plan and Agreement" was issued over the names of the members of the Bondholders' Committee. The plan contained the following provisions:

1. Either the McCall Company or a new company was to be vested with the McCall property and with cash as provided therein. (A new company was ultimately formed which was called Pennsylvania Water & Power Company)
2. \$12,500,000. of bonds were to be authorized of which at least \$4,920,000. were to remain in the treasury after the Plan was carried out.
3. \$8,500,000. of stock of one class was to be issued,
4. The old McCall bonds were to be exchanged for:
 - a. 40% new bonds.
 - b. 60% voting trust certificates for new stock.
5. All such new stock to be deposited under a voting trust until November 1, 1912.
6. The Voting Trust to provide for three voting trustees, two to be nominated by those furnishing the new money, and one by the Bondholders' Committee.
7. From \$4,170,000. to \$4,750,000. of the new bonds and \$3,500,000. of the new stock were to be sold to realize 90% of par of the bonds.

8. The Committee was to have legal title to all McCall bonds and stock deposited, and have full power to carry out the Plan, including the rights to:
 - a. Acquire at public or private sale the property and rights of the McCall Ferry Power Company.
 - b. Take any action for foreclosure of the mortgage.
 - c. Issue Receiver's Certificates.
 - d. Employ agents or attorneys.
 - e. Adjust and settle any indebtedness of the McCall Company.
 - f. Dispose of any new bonds and stock not required for exchange or reserved for the treasury.
 - g. Pay a reasonable commission for any underwriting.
 - h. Borrow money for Committee expenses or cash payment required at sale.
 - i. Organize the new company.
 - j. Resume construction.
 - k. Make contracts on behalf of the new company prior to its organization.
9. The Committee members were to receive reasonable compensation, the amount to be approved by the directors of the new company.
10. The Committee could abandon the Plan and return the bonds and stock or submit a new plan for approval.

(See Exhibit No. 49)

Of the \$3,500,000. of capital stock referred to in 7 above, \$500,000. par value was issued to Aldred as compensation for management services as explained in his comments on the "Memorandum of an Understanding." Aldred was referring to \$100. par value stock, although the first issue of stock by the new company (Pennsylvania Water & Power Company) was actually \$50. par value per share which was immediately exchanged for \$100. par value stock.

Opposition to Reorganization Plan

There was some opposition to the Bondholders' Committee which sought the deposit of bonds under the December 7, 1908 and May 28, 1909 Plans and Agreements. Under the date of June 25, 1909, Sanderson and Porter, who owned about \$200,000. in bonds and had been retained by McCall Company as managers for the installation of electrical equipment.

sent out a letter to the bondholders recommending that all bonds be withdrawn from deposit with the Committee. They claimed that the plan of the Committee was inequitable and might prove disastrous to the former McCall bondholders. (See Exhibit No. 50)

This opposition of Sanderson and Porter was answered by a letter from the Bondholders' Committee on June 28. It was stated in this reply that, although another plan than the one stated in the May 28th agreement had been suggested, it had later been withdrawn. This reply of the Bondholders' Committee was apparently successful in counteracting the Sanderson and Porter notice, for the Bondholders' Committee continued to act for the bondholders. (See Exhibit No. 51)

There was, however, a minority group which continued to oppose the Alfred plan. An inquiry from Beyer to Sample was answered by the latter on June 29th in part as follows:

"Hutchinson tells me that Mr. Colgate who is an underwriter to the extent of \$250,000., as are also Sanderson & Porter, are backed by substantial financial interests, but of course, I cannot tell whether they are strong enough to prevent the plan advocated by Barnum from being carried out."

(See Exhibit No. 52)

Beyer replied that he had reason to believe that Brown Bros. & Company and Gen. S.B.M. Young had not deposited their bonds. These amounted to \$110,000. Hutchinson and Dimock also had not deposited their bonds which totaled \$167,000. Subsequently, all these acquiesced and deposited their bonds.

Bonds Deposited with Committee

The Bondholders' Committee had secured a deposit of 80% of the bonds by July 1st, as required by the May 28th Plan. It should

be noted that July 1st was the date after which bonds already deposited could not be withdrawn. Therefore, as of this date, there resulted an irrevocable acceptance of the reorganization plan and the elimination of the interests of all preferred and common stocks. Subsequently, there were sent out circulars granting successive extensions for depositing the outstanding 20% of bonds. On July 6th the Committee notified the Knickerbocker Trust Company that the bond interest due December 15, 1908, had been unpaid for a period of six months. They stated that they represented more than a majority in interest of the bondholders and elected that the entire sum of principal and interest on bonds became due at once. They, therefore, demanded that the Knickerbocker Trust Company foreclose on the mortgage. (See Exhibit No. 53)

Aldred Appointed Receiver

The Knickerbocker Trust Company, acting upon the order of the Bondholders' Committee, instituted foreclosure proceedings in the Circuit Court of the United States for Eastern District of Pennsylvania on July 13th, and requested the appointment of a Receiver. Similar bills were filed in federal courts in Maryland and New York on July 19th and July 28th, respectively. The McCall Company admitted the allegations in the Bill and consented to the appointment of a Receiver. The Bondholders Committee immediately (July 13th) requested the appointment of J. E. Aldred as Receiver. Aldred was appointed Receiver by the Circuit Court of the United States for the Eastern District of Pennsylvania on July 17th. (See Exhibit No. 54) This order was notified by the Maryland and New York Courts on July 19th and 28th, respectively.

Construction Resumed by Aldred

It was necessary that a certain amount of time would elapse